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handed to
Acting Secretary Dillon
May 11, 1959

ACTION
is assigned to
AF

The Ambassador of Ghana presents his compliments to the Secretary of State and has the honour to refer to the letter of the Prime Minister of Ghana, Dr. Kwame Nkrumah, of March 14, 1959, addressed to the American Ambassador in Ghana, His Excellency Wilson C. Flake, concerning the Reassessment Report on the Volta River Project.

A memorandum on the question of financing the construction of the dam and power installation at Kosombo is hereby submitted.

The Ambassador of Ghana avails himself of this opportunity to renew to the Secretary of State the assurances of his highest consideration.

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text of note sent to Accra by airgram EBJ

Washington, D.C.
11th May, 1959.

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EMBASSY OF GHANA
2139 R STREET, N.W.
WASHINGTON, D. C.

MEMORANDUM

In the joint statement issued by President Eisenhower and Prime Minister Nkrumah on 26th July, 1958, it was noted that the two Governments agreed that it would be desirable to bring up to date the engineering reports on the Volta River Project which were prepared in 1955, and to share the cost of this under[illegible]king.

The Government of Ghana a[illegible]reciates the kind spirit in which the Government of the United States of America made its initial generous offer to finance half the cost of bringing up-to-date the engineering reports of 1955. The Government of Ghana is equally pleased with the results of the study conducted by the Kaiser engineers. This Reassessment Report is a concrete result of friendly cooperation between our two Governments.

The Government of Ghana is convinced that the Government of the United States of America is fully aware of the fact that democratic institutions can only flourish in a society where the greatest possible number of the people have the opportunity to secure a decent standard of living for themselves and their families. The Volta River Project and the Second Five-Year Development Plan are both designed, above all, to give opportunity to the people of Ghana to build a life fully in conformity with

/their aspirations.....

their aspirations and expectations. The Government of Ghana further believes that in the task of promoting and strengthening peace, prosperity and stability based upon international justice, its interests are identical with those of the Government of the United States of America.

This identity of interests is illustrated by the fact that shortly after the visit of the Prime Minister of Ghana, Dr. Kwame Nkrumah, to the United States in July, 1958, the Government of Ghana, in cooperation with the Government of the United States of America, entered into a contract with the Henry J. Kaiser Company for a reassessment of the 1955 reports on the Volta River Project. This study by the Kaiser engineers was completed and presented to the Government of Ghana on February 27, 1959.

On March 14, 1959, the Prime Minister of Ghana, Dr. Nkrumah, addressed to the Ambassador of the United States of America to Ghana, His Excellency Wilson C. Flake, a letter together with a copy of the Reassessment Report prepared by the Henry J. Kaiser Company; in this letter the Prime Minister of Ghana stressed the desire of his Government to seek the assistance of the Government of the United States in its effort to interest industries which would be large consumers of power generated from the Volta River and also in working out a plan for the financing of the construction of the dam and power installation at Kosombo.

On the first request, the Government of Ghana notes with gratitude the steps already taken by the Government of the United States through its Department of Commerce in publishing in the Foreign Commerce Weekly of April 20th, 1959, a summary of the Reassessment Report, which drew to the

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attention of American businessmen the potential for industrial development in the Volta River Valley.

On the second request, concerning the working-out of a plan for the financing of the construction of the dam and power installation at Kosombo, the Government of Ghana wishes to put forward the following points for the consideration of the Government of the United States:

(1) The Kaiser report shows the economic feasibility of an aluminium industry in Ghana. The report also shows that electric power can be generated at a comparatively low cost and that construction costs will be lower than those set-forth in the 1955 report.

(2) As a result of the publication of the Kaiser Reassessment Report, several of the major aluminium companies are manifesting great interest in the possibility of forming a consortium of aluminium companies to finance a smelter and related works in Ghana, which would utilise a substantial portion of the power to be generated by the Volta River Project.

(3) It has, however, been the impression of the Government of Ghana during all the talks it has undertaken with these companies, that one of the most important things which they desire to know before they can make any specific proposals to it is that they require a fairly firm expression from the Government of Ghana as to what the rate of cost of the electric power to potential industrial consumers will be.

(4) The Government of Ghana wishes to emphasise that it is in no position at the moment to give even an

/approximate rate.....

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approximate rate of cost for this power unless it is also in the position to know what the approximate interest and loan amortisation costs of the project will be.

(5) Recalling therefore, the hope expressed by the Prime Minister of Ghana, Dr. Kwame Nkrumah, in his joint statement with the President of the United States, Mr. Dwight D. Eisenhower, to the effect that the Government of the United States would find it possible to assist the Government of Ghana with its development programmes, and recalling also the sympathetic interest which the President of the United States showed in the development programmes of Ghana, the Government of Ghana would now wish to know the general basis upon which it may expect to be able to secure United States financial aid for the Volta River Project.

The Government of Ghana will be most grateful to ascertain:

(A) How much of the total financing of the construction of the dam and the power installation at Kosombo will be by loans and at what rate of interest and the amortisation rate and maturity of the loans.

(B) How much will be by a direct grant.

The Government of Ghana at the moment is financing the construction of certain preliminary works at the Kosombo site and it is most anxious that there be no undue delay between the completion of these preliminary works

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and the start of the Kosombo dam construction. For this reason the Government of Ghana plans to proceed as soon as possible with Step One of the Volta Hydro-Electric Project as recommended by the Kaiser report, namely, the construction of the dam at Kosombo and the generation of power from it. This will involve the expenditure of approximately $180,000,000 with an installed power generating capacity of 768,000 kw. The sources of financing for the estimated expenditure as at present envisaged are:

FOREIGN	--	$127,000,000
GHANA	--	53,000,000
		$180,000,000

It is realised that in order to arrive at an approximation of the financing conditions and resulting debt charges certain basic assumptions will have to be made. However, it is essential that a premise of the financing be now made in order that the Government of Ghana may, in turn, make power costs representations to the aluminium companies in order that they may then be more definite and specific in indicating their willingness to commit themselves for substantial blocks of power.

The Government of Ghana would be most grateful if the Government of the United States would advise it as soon as possible of the assistance which the Government of the United States may wish to give it in working out and implementing a plan for the financing of the construction of the dam and power installation at Kosombo.

May 11, 1959

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